

**Forestry Innovation Investment Ltd.**

**2018/19**  
**ANNUAL SERVICE PLAN REPORT**  
**July 2019**



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## Board Chair's Accountability Statement



The *Forestry Innovation Investment 2018/19 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2018/19 - 2020/21 Service Plan* created in February 2018. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to read 'Silas Brownsey', written over a horizontal line.

*Silas Brownsey*  
*Board Chair*

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## Chair/CEO Report Letter

In 2018/19, the operations of Forestry Innovation Investment (FII), including its goals, strategies, measures and targets, fully aligned with the Government's strategic direction to FII as set out in the 2018/19 [Mandate Letter](#) from the Minister of Jobs, Trade and Technology (JTT).

Across the year, FII continued its strategic and proactive engagement with JTT through meetings between the Minister and Deputy Minister of JTT, and coordination between FII's communications and program staff and their counterparts in Government Communications and Public Engagement in both JTT and the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNRORD). Together, these engagements helped ensure continued alignment between FII and JTT in meeting the obligations established by Government.

In 2018/19, FII also worked with the Government's Crown Agencies and Board Resourcing Office to appoint a new Board of Directors for FII. An updated Board member orientation package and a comprehensive briefing on the organization were provided to the new directors to ensure a thorough understanding of FII's operations and specific responsibilities associated with membership on the Board. Information on FII's governance and Board is included in Appendix A.

In 2018/19, FII renewed its [Strategic Plan](#), outlining the goals, objectives and strategies that underpin FII's business planning and delivery for the next five years. These strategies include a continued focus on China as the largest construction market in the world and B.C.'s second largest market for forest product exports and on Japan, where B.C. has a long history of collaboration in the use of wood. FII recognizes the importance of market diversification, and as such, efforts to grow new markets are ongoing with a focus on India and early-stage efforts in Vietnam underway. Here in B.C., FII remains committed to positioning B.C. as a leader in innovative forest products and building systems, including supporting government efforts to drive the adoption of engineered wood products, such as mass timber, in major public projects. FII's programming, which directly responds to the Government's priority to build a strong sustainable and innovative economy, is paving the way for greater innovation in wood products and building systems here in B.C. and for these products and systems to be marketed around the world.

We are pleased to report that in all operations during the year, FII demonstrated efficiency, accountability and integrity in the delivery of its programs. The Company concluded the year having met all of its obligations as set out in the 2018/19 Mandate Letter and having largely achieved the core performance plan targets established in the Company's [2018/19 - 2020/21 Service Plan](#).

## Purpose of the Annual Service Plan Report

The Annual Service Plan Report (ASPR) is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

## Purpose of the Organization

FII is the Government of British Columbia's market development agency for forest products. FII works to:

- position B.C. as a global supplier of world-class environmentally-friendly forest products;
- actively maintain, create and diversify demand for B.C. forest products in Canada and in key world markets;
- help break down non-tariff trade and market barriers to ensure opportunities for B.C. forest products;
- work with the forest industry to promote B.C.'s forest products and forest management to the global marketplace; and
- help ensure that the forest sector, through product innovation and strong international sales, continues to be a leading contributor to the B.C. economy.

Together with the forest industry, the Government of Canada, provincial ministries and agencies, research institutions, and other stakeholders, FII works to deliver forward-looking, innovative market development programs in B.C. and in markets around the world. To provide the best value to taxpayers and stakeholders, and reflecting the direction provided in FII's 2018/19 Mandate Letter, FII uses a collaborative model for developing, funding and delivering its programs. Under this model, FII works with the B.C. forest industry, the federal government and leading research institutions to grow exports to existing markets, such as the U.S., China, Japan and South Korea, while promoting the use of B.C. products in high potential, emerging markets, such as India and Vietnam. This approach takes advantage of partner expertise and marketing networks and ensures that program costs are shared with other organizations, including industry and the federal government. By leveraging these partnerships, FII is able to lead a comprehensive effort to expand B.C.'s exports to major markets in Asia and North America, and to foster greater capacity and innovation in the domestic manufacturing sector.

FII maintains two operating and one non-operating subsidiaries:

**Forestry Innovation Investment Consulting (Shanghai) Co. Ltd.** (FII China) (wholly owned by Forestry Innovation Investment Ltd.). FII China focuses on growing the market for B.C. wood products in China.

**Forestry Innovation Consulting India Private Limited** (FII India) (wholly owned by Forestry Innovation Investment Ltd. and 0939031 B.C. Ltd.). FII India works to develop the Indian market for B.C. forest products.

**0939031B.C. Ltd.** (wholly owned by Forestry Innovation Investment Ltd.). A non-operating company that serves as a second shareholder of FII India.

More information on FII's subsidiary companies is provided in Appendix B.

## Strategic Direction

The strategic direction set by Government in 2017 and expanded upon in the Board Chair's [Mandate Letter](#) from the Minister Responsible in 2018 shaped the [2018/19 Service Plan](#) and the results reported in this ASPR.

In 2018/19, FII's operations were aligned with the Government's strategic direction to the Ministry of Jobs, Trade and Technology (JTT); the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNRORD); and the Minister of State for Trade to:

- increase employment in the forestry and innovative wood manufacturing sectors;
- develop B.C.'s international trade relations;
- expand efforts to market innovative manufactured wood products to world markets; and
- promote the use of wood in public construction projects.

By aligning near- and long-term activities with those of Government, FII ensured that its programs and services fully supported the Government's key priority for the B.C. economy:

Government Priority	FII Aligns with This Priority By:
A strong, sustainable economy	<p>Collaborating with industry, government and institutional partners to deliver a suite of programs and activities focused on three complementary goals<sup>1</sup>:</p> <ul style="list-style-type: none"> <li>• position B.C. as a reliable global supplier of quality building products from sustainably managed forests (Objective 1.2 - Goal 1);</li> <li>• ensure returns from B.C.'s conventional and next generation forest products are optimized in markets offering high potential (Goal 2); and</li> <li>• establish B.C. as a leader in adopting innovative forest products and building systems (Goal 3).</li> </ul>

## Operating Environment

In 2018/19, B.C.'s forest sector competitiveness remained positive with overall exports growing by five per cent. As over 90 per cent of B.C. forest products are sold to international markets (\$14.9 billion in 2018), B.C.'s forest sector relies heavily on developing and maintaining export markets to sustain sales, jobs and growth. This reliance on export markets makes the B.C. industry susceptible to shifts in global economic and trade dynamics. In 2018/19, these dynamics included record high softwood lumber prices followed by steep declines, trade actions that thickened borders, competition

<sup>1</sup> For a detailed description of FII's goals and objectives in support of the Government's priorities, refer to the Report on Performance section beginning on page 8.

from suppliers in Russia and Europe, and natural disasters such as wildfires that impacted the supply and distribution of B.C. forest products. Despite these challenges, several positive industry trends continue to drive B.C. forest product exports, including the growing international use of wood for taller and more complex structures and increased emphasis on sourcing low-carbon, green building materials to address climate change. The need to respond to these dynamics underscores the importance of FII's work to diversify markets for, and foster innovation in, the B.C. forest sector.

Softwood lumber experienced a significant run-up of pricing in the North American market in early-to-mid 2018, causing B.C. exporters to focus on the U.S. and limiting the availability of supply for other importing countries. A significant drop in prices in the second half of 2018, coupled with a slowing construction sector in the U.S., resulted in a gradual decline of exports to the U.S. through the remainder of the year. Protectionist sentiments in the U.S. continue, and softwood lumber exports face a punitive tariff regime in the U.S., which has the potential to significantly impact B.C.'s lumber trade with the U.S. over the medium- to long-term.

In China, B.C.'s largest offshore market, high-level drivers continue to create demand for wood – including urbanization, the growing middle class, and escalating environmental concerns that help to favour wood. However, China's trade tensions with the U.S. and Canada, a slowing economy and competition from other markets are creating uncertainty for B.C. exporters. China's increasing emphasis on green building and sustainably sourced materials is creating opportunity to demonstrate B.C.'s environmental pedigree in wood construction and manufacturing.

In Japan, B.C.'s second largest market in Asia, demand for wood products grew for the third consecutive year, with the overall value of B.C.'s forest product exports to Japan increasing by 13 per cent during 2018. With a changing demographic and aging population, new opportunities for the B.C. forest sector are emerging in high-potential segments, including non-residential construction, elderly care facilities and tourism development.

India remains an early-stage market for B.C. forest products. Demonetization, the introduction of consolidated GST, market sensitivities to lumber prices, and challenges in the construction sector have presented hurdles to market progress. However, federal elections in spring 2019 and an evolving national policy present future opportunity for Canadian wood products, which are gaining recognition in market through the continued efforts of FII and its industry federal government partners.

In B.C. and North America, construction professionals and designers are increasingly seeking lower carbon building alternatives and renewable materials and embracing the advancement of new construction technologies and mass timber products. A renewed focus on infrastructure investment in B.C. presents opportunities to collaborate with government and industry partners to position wood and act as a global showcase for how wood design can help reduce the carbon footprint of the built environment.



## Report on Performance

### *Goals, Objectives, Measures and Targets*

In 2018/19, FII's investments focused on advancing forest sector innovation in B.C., communicating the benefits of B.C. forest products, and on increasing diversification in domestic and international markets. In pursuing these priorities, FII worked with the forest industry, its trade associations, research institutions and other levels of government to leverage advancements in products, designs and engineering technologies with the objective of continuing to build markets for wood products at home and in key markets abroad.

The following describes the specific goals, strategies and performance targets pursued by FII during 2018/19. More detailed descriptions of programs, activities and the FII business model can be found at <https://www.bcfii.ca/> and in the Company's annual [Year in Review](#).

#### **Goal 1: Forest Products are Viewed as an Environmentally Friendly, Preferred Material, and B.C. is Viewed as a Reliable Global Supplier of Quality Products from Sustainably-Managed Forests**

The primary objective of Goal 1 is to expand opportunities for B.C. forest products by positioning wood, and wood-based products from B.C., as the first choice for environmentally-friendly building materials. The strategies under Goal 1 create a solid foundation for answering the questions "Why wood?" and "Why wood from B.C.?" – upon which many of FII's market development investments and activities are based.

#### **Objective 1.1: Opportunities for B.C. Forest Products are Expanded by Positioning Wood, and Wood-Based Products from B.C., as the First Choice for Environmentally-Friendly Building Materials**

This objective supports the Government's efforts to revitalize the forest sector. It focuses on taking advantage of two significant trends in the marketplace: the emerging recognition of wood products as "green" and increasing demands from consumers for forest products that are produced in an environmentally-responsible manner. As customers are factoring environmental parameters into purchasing decisions, there is considerable value in articulating the benefits of wood as a sustainable, renewable building material; its advantages in creating a significantly smaller environmental footprint than other building materials; and the fact that wood and pulp-and-paper products from B.C. are manufactured by an industry that has made impressive gains in reducing its environmental footprint. These environmental benefits of wood apply equally to higher-margin wood products manufactured in B.C.

#### **Key Highlights:**

- UBC's Faculty of Forestry completed *The State of British Columbia's Forests: A Global Comparison* and *The State of Canadian Forests: A Global Comparison*. The reports compare

B.C. and Canada against seven other jurisdictions according to the Global Forest Resource Assessment (FRA) report framework. Overall, the results demonstrate B.C. and Canada each have one of the most advanced forest management and conservation regimes within the key domains of sustainable forest management: legal framework, management plans, data management and reporting, and stakeholder involvement. The reports are currently under peer review and once publicly available, FII will be incorporating findings into materials and working with partners to amplify messaging.

- FII's past research on life cycle assessment (LCA) has proven useful to inform the dialogue around embodied carbon, including informing the Clean Energy Canada *Building the Future* report. A factsheet, *Demonstrating the Benefits of Whole-Building Life Cycle Assessment*, was developed to summarize LCA results from nine B.C. buildings, illustrating the role of wood in mitigating environmental impacts. This publication is on FII's website, [naturallywood.com](http://naturallywood.com), and it has been shared with partners for use in their promotional activities.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.1 Per cent of customers who perceive that forest products from B.C. are a good choice for the environment <sup>1</sup>	N/A	99%	N/A	N/A	90%	N/A

**Data Source:** Leger -The Research Intelligence Group. *Analysis of Market Acceptance Issues*, January 2018.

<sup>1</sup> Surveys are conducted biennially.

## Discussion

This measure provides an indication over time of the effectiveness of FII's international advocacy and communications initiatives to influence customer perceptions of B.C. and its forest management practices. Performance data are gathered by an independent research firm through a biennial survey of international customers (e.g., large institutional pulp and paper buyers, and wood importers and distributors).

The survey of international customers is a cooperative undertaking between FII, Natural Resources Canada and the Forest Products Association of Canada. The survey, which is focused on environmental perspectives, identified the percentage of customers who agree that B.C.'s environmental reputation is as good as, or better than, the average of competing forest products jurisdictions.

The 2018/19 target was set at 'n/a' as the performance data is gathered biennially. For future targets, FII and its partners consider that maintaining a 90 per cent rating represents optimal performance given there will always be some who disagree with timber harvesting of any nature.

## Objective 1.2: B.C. is Positioned as a Reliable Global Supplier of Quality Products from Sustainably-Managed Forests

The growing awareness of the benefits of wood products is increasing the demand from consumers for forest products that are produced in an environmentally-responsible manner. To help position B.C. to meet this demand, FII delivers a suite of programming that showcases B.C. as a reliable supplier of quality forest products and a global leader in sustaining forest resources and environmental values. This positioning will help strengthen awareness of, and interest in, B.C. forest products in major markets, and thus, support greater market share, premium positioning, and easier access to markets.

### Key Highlights:

- FII has profiled over 120 wood buildings on the naturallywood.com project gallery, promoting leading wood projects in British Columbia and providing inspiration for design professionals at home and abroad. There have been over 10,000 unique interactions with the gallery in 2018/19.
- A Wood in Schools publication, highlighting the opportunities and challenges of using wood in the construction, repair and remodelling of educational facilities, is being featured on naturallywood.com. This guide, along with an array of case studies, can support school boards, architects and other specifiers in their consideration of B.C. wood products in school infrastructure. FII-funded programs such as Wood *WORKS!* BC are being encouraged to use the publication in their project support activities.
- Across 2018/19, FII continued to showcase the Brock Commons Tallwood House, an 18-storey mass timber student residence, to demonstrate the benefits of mass timber construction and ensure others can build on the experience and lessons learned. To date, technical research, costs studies, and multiple case studies and videos have been developed and leveraged. The time-lapse video has been viewed over 200,000 times and Brock Commons publications continue to be the top resources on naturallywood.com, with over 10,000 copies either downloaded or distributed over the course of the campaign. Media around the world continue to mention Brock Commons in articles that discuss tall mass timber structures around the world. There has been coverage in over 900 publications in 40 countries since 2015.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.2 Number of prospects connecting with B.C. manufacturers from the naturallywood.com Supplier Directory, an online platform developed by FII	13,027	13,864	13,500	13,385	13,750	14,000

**Data Source:** Forestry Innovation Investment Ltd. / Google Analytics. Targets for 2019/20 and 2020/21 were updated in the 2019/20 – 2021/22 Service Plan from 14,000 and 14,250 respectively, to 13,750 and 14,000. The change was made to reflect a stabilization of online user behavior and engagement with this now established resource.

## Discussion

Performance measure 1.2 links FII's outreach and communications activities to the objective of increasing sales of B.C. forest products. FII, through the [naturally:wood](#) information resource and related market communication activities, including paid media and trade shows, works to promote B.C. forest products and suppliers by featuring the Supplier Directory. The performance metric tracks the number of visitors to the website that conduct a search and/or link through to a supplier email address or website. Collecting data on connections made to suppliers tracks the effectiveness of FII's online product and supplier sourcing tool in increasing awareness of, and interest in, B.C.'s forest products by driving inquiries to B.C. companies for potential commercial opportunities.

From April 1, 2018 to March 31, 2019, a total of 13,385 supplier interactions were made, representing 99.2% of the annual target. FII intends to make updates to the Supplier Directory and further promote it in the coming year to achieve upcoming targets.

### **Goal 2: Returns from B.C.'s Conventional and Emerging Forest Products are Optimized in Markets Offering High Potential**

Goal 2 supports Government priorities to increase employment in forestry and innovative wood manufacturing by expanding opportunities in international markets. The Goal drives FII's efforts to assist the B.C. forest industry in optimizing returns by achieving a balance in the products, species and grades marketed. The efforts of FII and its funding recipients build on the strategies as well as the science and reputational foundation developed under Goal 1.

Optimization of the global market development strategy involves creating or expanding new market segments in traditional regions (e.g., non-residential and multi-family/mid-rise construction in the U.S.), as well as fostering demand in regions that have strong growth potential, but are not currently using high volumes of B.C. forest products (e.g., the multi-family and non-residential markets in China and Japan, and the domestically-focused manufacturing sector in India).

Activities associated with Goal 2 recognize the progress made in diversifying B.C. exports away from the historically heavy dependence on the U.S. single-family housing sector. Programs in this goal area also focus on achieving a long-term balance between existing and emerging markets, and traditional and innovative new products, including an increase in sales of higher margin products in traditional markets such as North America.

Strategies under this goal included a mix of activities delivered by third parties and by FII<sup>2</sup>. Trade missions to FII's priority markets are conducted on an annual basis to help strengthen relationships with key stakeholders, to identify specific opportunities to advance the use of wood in manufacturing and construction sectors, and to connect B.C. suppliers with overseas partners and buyers.

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<sup>2</sup> Strategies are available in the 2018/19 – 2020/21 Service Plan. FII collaborates with industry trade associations, the federal government and other funding bodies to leverage its investments for the greatest potential return for B.C. FII's objective is to strengthen demand for B.C. forest products and expand potential end-use applications.

## **Objective 2.1: B.C.'s Sales of Higher-Value B.C. Wood Products to China are Increased**

China is B.C.'s largest market for commodity lumber outside of North America and a priority market for the B.C. forest sector. FII, in cooperation with partner agencies, the federal government and industry, is working to increase the value of B.C.'s exports by positioning B.C. wood in high-growth, high-value segments. In 2018/19, FII's strategies remained focused on increasing the average value of wood sold to China, particularly in growth segments such as tourism, elderly care and manufacturing.

### **Key Highlights:**

Across 2018/19, FII China delivered a comprehensive suite of activities, in partnership with Canada Wood and Natural Resources Canada (NRCan) to advance the acceptance and use of wood in China's construction sector. Highlights of these activities include the following:<sup>3</sup>

- Strengthened engagement with China's Ministry of Housing and Urban-Rural Development (MOHURD) focused on wood-based construction technologies and the promotion of green building practices in China. Activities included two joint research projects and formalizing a training program (to be delivered in 2019/20) for MOHURD on Canada's best practices in wood-based building systems and sustainable forest management practices.
- Engagement continued across 2018/19 with the Chinese government on the development of a special economic zone near Beijing, the Xiong'an New Area, that will be built as a showcase of green construction and low carbon development. An [MOU](#) was signed between Canada Wood and the China Railway Real Estate Group in June 2018 to develop a long-term strategic partnership focused on the development of wood construction in Xiong'an.
- FII China is working with the China Academy of Building Research, the largest and most diverse research institution in China's building industry, to initiate a life cycle assessment (LCA) report on eight wood buildings in China. The LCA research will complement efforts to communicate the environmental benefits of using wood to the Chinese market and will further support wood project developers, design institutes, and builders in China in market outreach and corporate social responsibility.
- Following over two years of relationship building between Canada Wood and Matechstone, a major precast concrete manufacturer in east China, the company is undertaking a two-storey, wood exterior wall infill, hybrid commercial demonstration project of 2,000 m<sup>2</sup> of floor space with expected completion in May 2019. This is a milestone for introducing wood infill walls into the construction market, which is dominated by concrete and steel.
- FII co-organized with the forest industry a trade mission, led by Minister Doug Donaldson, to South Korea and Japan from December 7-11 with more than 50 delegates from the B.C.'s Forest sector, First Nations, and government. Forest industry delegates continued to China December 12-14 for an industry-only program delivered by FII in collaboration with Canada Wood Group. The 2018 mission focused on strengthening existing and developing new relationships with and high-potential partners; and identifying specific opportunities to

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<sup>3</sup> Activities are as of March 31<sup>st</sup>, 2019 and do not reflect any program changes that may occur after that date.

advance the use of wood in Asia's expanding manufacturing sector, as well as in wood construction, particularly in Asia's green, energy efficient and low-carbon buildings market.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.1 Average value (CAD) per cubic metre generated by softwood lumber sales to China <sup>1</sup>	174	197	200	208	204	208

**Data Source:** Forestry Innovation Investment Ltd./ BC Stats.

<sup>1</sup>Total value of lumber exported divided by the total volume of exports measured in cubic metres. Performance metrics are tracked for China and India to reflect FII's direct operations and program delivery in those two markets. FII also tracks and reports out on data and trends in all other key Asia markets, including Japan and South Korea. Data is reported by calendar year (January through December), consistent with Statistics Canada data collection and reporting methodologies and to ensure comparability across domestic and international publications.

## Discussion

The measure tracks the extent to which the B.C. forest industry is successful in diversifying markets and moving into higher-value segments. The target emphasizes sales to China, where FII investments are leveraging a significant joint industry and government (provincial and federal) market development effort to position B.C. as the leading exporter of high-quality softwood lumber to China.

While B.C.'s total volume of shipments to China declined on a volume basis during the year, average value per cubic metre rose 5.6 per cent, reflecting higher overall prices for lumber in China and progress towards higher-value applications. This exceeded the value target and performance objectives set for the year.

## Objective 2.2: Open Markets for B.C. Wood Products in India

FII's market development program in India is focused on augmenting the country's dwindling supply of tropical and domestic hardwoods with Canadian softwood. The program targets applications for B.C. wood species in joinery, remanufacturing, furniture production and interior finishing. Building on a mix of research, networking and marketing activities, FII encourages commercialization through product trials with manufacturers and securing high-profile demonstration projects with strategic partners.

## Key Highlights:

Across 2018/19, FII India, with the support of the Government of Canada and industry partners, organized several activities aimed at increasing the awareness and usage of B.C. wood species. The following are some key highlights from these activities:

- Conducted 24 educational seminars and 36 training workshops in different cities, targeting high profile architects, interior designers, manufacturers, contractors, carpenters and wood

importers to increase awareness about B.C. as a sustainable source of certified wood, as well as B.C. species, their properties and applications.

- Organized two visits to B.C. for targeted Indian high-level architects and project developers to showcase B.C. expertise in wood use and building design; including a six-person delegation to the Global Buyers Mission and four-day program for 17 leading architects in October 2018. Both visits were self-funded by participants.
- Led a delegation of 16 B.C. forest industry representatives to attend the DelhiWood exhibition from March 13-16, 2019 and to visit major softwood importers and manufacturers interested in using B.C. species for furniture and other woodworking applications.
- Undertook an extensive cluster of product trials with nine furniture manufacturers based in the State of Rajasthan through 2018/19. The purpose was to introduce these companies to coastal hemlock for furniture, and to evaluate their results and interest in this priority species for FII in India. Initial results have been promising with manufacturers receiving positive feedback on product samples from key customers/buyers and initial commercial orders from major furniture manufacturers in the U.S. and New Zealand.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.2 Total number of product trials of B.C. species undertaken in India	15	23	24	26	26	30

**Data Source:** Forestry Innovation Investment Ltd.

## Discussion

Product trials continue to emerge as an effective means for FII to encourage Indian manufacturers to convert existing or new production to using B.C. wood, and efforts in this continued to accelerate during the year, building on FII's new offices in the north and south of the country. Under the Try Canadian Wood program, FII provided qualified Indian manufacturers with small test volumes of B.C. wood, as well as technical support for trying B.C. wood in new or existing product lines. Trials completed to-date have resulted in a range of furniture and interior finishing products being produced on a test basis using B.C. wood species. Several trials have led to commercial orders for products made with B.C. species. Performance measure 2.2 directly reflects the interest of the Indian industry to try B.C. species, which is a key objective in early market development efforts.

The expansion of the FII India teams in the north and south of India which was completed during the 2017/18 year allowed the program to accelerate the number of annual product trials and exceed the target set for the year. A total of 72 product trials have been completed since the effort launched in 2015/16 with many more in various stages of development in centres around India.

During the year, the outputs of trials were promoted at tradeshow and featured at the FII India showroom in Mumbai. FII's success in expanding the number of product trials across India is key to opening the market for B.C. wood species and helping B.C. firms advance commercial sales to India.

## **Objective 2.3      Wood Products Secure Greater Market Penetration in U.S. Non-Residential and Multi-Family Construction.**

The U.S. housing sector, and in particular single-family home construction, remains the leading consumer of B.C. lumber, panels, cedar products and value-added wood products. However, with the market moving toward multi-family living, FII is focusing its funding support towards work that expands wood beyond the single-family, residential segment and into growth opportunity sectors in multi-family/multi-storey construction and non-residential (commercial, institutional, recreational and educational) construction. These segments have significant opportunity to increase wood's market share and to expand opportunities to use wood both structurally and architecturally. FII funding specifically focuses on growing wood use in these segments.

### **Key Highlights:**

- FII supported the U.S. [WoodWorks](#) program in 2018/19 to deliver educational and technical advisory activities that assist architects, engineers, buildings and developers to incorporate more wood into their projects, as well as convert projects from other materials to wood. Through these efforts, 319 directly influenced projects went to construction, resulting in 206 million board feet (mmbf) incremental wood product volume equivalent to \$173 million direct incremental wood product value. 367 WoodWorks-hosted and third-party events resulted in 39,804 practitioner education hours delivered through a range of in-person symposiums, workshops, seminars and online webinars.
- Online continuing education is enabling the Western Red Cedar Lumber Association to capture North American market and audience information and position the key benefits of western red cedar while raising brand awareness among important and influential audiences, such as architects. Their latest learning unit on cedar can be seen [here](#).
- BC Wood is continuing its efforts to promote the value-added sector by targeting major trade shows in the U.S. and Canada, which help connect B.C. manufacturers with qualified architects, builders, developers, and specifiers.
- The Think Wood program, delivered by FII, is positioned as the go-to resource for information on wood in buildings, particularly as it relates to lumber, mass timber products and new applications, such as taller wood. Due to the success of the Think Wood campaign in the U.S., Canadian information and materials are being added to the campaign to continue support of the expansion of wood technologies and applications in the North American market. Largely industry-funded, this program is supported by the Softwood Lumber Board (SLB), the Binational Softwood Lumber Council (BSLC), Natural Resources Canada (NRCan) and FII.



Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.3 Total sales (USD, millions) of wood attributable to directly influenced and converted projects – U.S. non-residential and multi-storey/multi-family residential construction markets	128	157	144	173	181	198

**Data Source:** U.S. WoodWorks Program. Targets for 2019/20 and 2020/21 were updated in the 2019/20 – 2021/22 Service Plan from \$158 million and \$172 million respectively, to \$181 million and \$198 million. These increases were made to reflect anticipated growth in the use of wood for larger and taller wood structures.

## Discussion

This measure tracks success in increasing wood usage in the U.S. in the commercial, institutional and multi-family residential/mid-rise segments. Most single-family housing in North America uses wood-frame construction as the primary building method; however, wood has a smaller share of non-residential structures and of multi-storey, multi-family residences. The forest industry in B.C., the rest of Canada and the U.S. has a strong interest in seeing wood products secure a much higher market penetration in this segment. Through the U.S. WoodWorks Program, efforts in 2018/19 focused on a range of building types, including multi-storey/multi-family, non-residential and taller buildings. This diversification strategy helped expand the influence of the program across the construction sector while protecting suppliers against market fluctuations in any one segment of the building sector.

The ability to achieve performance measure 2.3 is contingent upon the performance of FII's funding recipient in its delivery of Market Initiatives programming and on other external factors impacting construction activity in the U.S., such as the level of real estate investment and the process for approving and implementing building code changes. The target is based on the incremental increase in the value of wood sales that are generated in the year through projects converted and/or influenced by the program activities tracked by FII's funding partners.

The target for performance measure 2.3 was exceeded in 2018/19 due to growing interest in mid-rise and taller mass timber projects. Forward looking targets have been raised from those included in the 2018/19 Service Plan. This anticipates an increase in the use of wood in the U.S. multi-storey, non-residential and multi-family construction projects, as mass timber solutions now allow for larger and taller wood structures.

## Goal 3: B.C. is a Leader in Using Innovative Forest Products and Building Systems

This goal supports the Government of B.C.'s strategic direction to expand innovation in the wood products sector. The goal focuses on addressing research, education and supply chain barriers hampering the growth of mass timber and next generation engineered wood products and systems in

B.C., and on guiding FII's efforts to work with partners inside and outside government to ensure public projects prioritize the use of wood.

### **Objective 3.1: Wood is Positioned as a Preferred Building Material and B.C. as a Leader in Wood Innovation**

Long-term sustainability of the forest economy requires the active maintenance, creation and diversification of demand for B.C. forest products. By introducing new and advanced forest products, wood technologies and building systems, wood can be positioned as a preferred building material and B.C. as a leader in wood innovation. As a result, B.C.'s forest products can be more effectively utilized in construction, interior design, and daily living, at home and abroad.

Efforts to achieve this Goal are delivered primarily through FII's *Wood First* program, which works to position B.C. as a leader in using innovative forest products and building systems by delivering promotional, research, educational and capacity-building initiatives throughout the province.

#### **Key Highlights:**

- Wood construction is experiencing significant changes as advancements in technology demonstrate new potential for wood as a structural material. To harness the benefits of existing knowledge and share it effectively with industry and stakeholders, FII maintains an online library of research on mass timber building systems and mid-rise wood-frame construction. The library includes the latest research on key topics such as seismic resistance, fire safety, acoustics, energy performance, cost, and hybrid systems such as timber-concrete and timber-steel. The library has 1700 records (April 2019) and is being promoted through different online channels and at trade events to support designers seeking the latest tools and knowledge in wood construction.
- FII continues to work alongside Provincial Government partners to advance wood innovation in B.C., including the following:
  - In consultation with the Ministry of Advanced Education, Skills and Training, and the BC Wood Specialties Group, research was completed on wood manufacturing and construction labour markets, including a gap analysis to address skills and knowledge opportunities and challenges around designing and building with advanced engineered wood products and systems.
  - Working with the Building Standards and Safety Branch on the implementation of the 2018 BC Building Code and advancing ways to accelerate the adoption of the 2020 National Building code in B.C.
  - Collaborating with the Ministry of Energy, Mines and Petroleum Resources on a Better Buildings incentive program to advance and promote energy efficient building systems (and for FII, projects that use wood).
  - Working with BC Housing to document the construction of an innovative housing project to better understand and share the benefits of modern methods of construction (lean construction) as a means to achieve quality, performance and reliability of high-performance buildings.

- FII supports the Wood *WORKS!* BC program to deliver education and technical advisory activities that assist architects, engineers, builders and developers to incorporate more wood into projects, as well as convert their projects from other materials to wood. Through these efforts, 80 directly influenced projects went to construction, resulting in \$57.3 million direct incremental wood product value. 116 training sessions were also delivered, resulting in 9497 education hours and 4053 people receiving training.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.1 Total sales (CAD, millions) of wood attributable to directly influenced and converted projects – B.C.’s non-residential and multi-storey/multi-family residential construction markets <sup>1</sup>	60	53	58	57.3	63	68

**Data Source:** Canadian Wood Council’s Wood *WORKS!* BC Program.

<sup>1</sup>The methodology used to generate attributable wood values was revised in 2017 to align with similar programs in North America. The 2020/21 Target was increased from \$63 million or greater to \$68 million. This change was made in the 2019/20 – 2021/22 Service Plan.

## Discussion

This measure tracks success in increasing wood usage in B.C. in the commercial, institutional and multi-family residential/mid-rise segment. Efforts focus on a range of building types (i.e., multi-storey/multi-family, non-residential and taller buildings). This diversification strategy helps expand the influence of the program across the construction sector while protecting suppliers against market fluctuations in any one particular segment of the building sector.

The ability to achieve performance measure 3.1 is contingent upon the performance of FII’s funding recipients in their delivery of Wood First programming and on other external factors impacting construction activity in B.C., such as the level of real estate investment and the process for approving and implementing building code changes. The target is based on the incremental increase in the value of wood sales that are generated in the year and influenced by program activities funded by FII and its funding partners.

To effectively deliver its Wood First mandate during the year, FII worked extensively with research institutions and service delivery organizations to promote integrated planning and coordinated delivery of program activities and initiatives. An independent Wood First Advisory Committee, made up of senior industry executives, provided strategic guidance on program implementation priorities.

In 2018/19, 80 projects were converted to wood during the year, exceeding the program target of 68. These projects resulted in an incremental \$57.3 million of wood use, coming in slightly under the target of \$58 million (99% of target). The share of these buildings is in building classification type “C” (apartments/hotel buildings) at 41 per cent, followed by type “A2” (community/lecture halls, gymnasiums, schools, restaurants, libraries) at 31 per cent.

## Goal 4: FII is a Highly Effective, Innovative and Responsive Organization

FII's business practices incorporate robust financial controls and a performance management framework that includes monitoring, audit and evaluation built on long-term market development principles and a comprehensive risk-assessment strategy. All these approaches reflect government policies and best practices and are consistent with the direction articulated in FII's 2018/19 Mandate Letter from the Ministry of Jobs, Trade and Technology.

### Objective 4.1: FII's Market Development Programming is Strategic, Focused and Provides the Highest Value for the Forest Sector and the Taxpayers of B.C.

FII is committed to delivering programs that deliver the highest value for the forest sector and the taxpayers of B.C. Consistent with this commitment, FII delivers its primary programs and services in collaboration with the forest industry, the federal government, the research community and other provincial agencies, including JTT and FLNRORD. By partnering with forest sector organizations from Canada and abroad, FII is able to leverage their expertise and financial resources to maximize the effectiveness and efficiency of its programs. In delivering against its mandate, FII remains committed to a path of environmental sustainability, including minimizing its environmental footprint, in order to protect the natural environment and the B.C. economy for future generations.

### Key Highlights:

- FII's goals, strategies, measures and targets remained aligned with, and supportive of, Government's priorities through ongoing engagement across the year with its responsible Ministry, JTT. Performance was reported through meetings with the Minister and by way of reports tabled at all regular meetings of the FII Board.
- Ensured the Company is efficient, transparent and results-focused by:
  - implementing a rigorous performance management system;
  - monitoring and auditing funded projects according to explicit risk assessments; and
  - maximizing contributions from other funders/partners to jointly delivered activities.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
4.1 Other organizations' aggregate contribution to recipient funding	69%	72%	65%	70%	65%	65%

**Data Source:** Forestry Innovation Investment Ltd.

### Discussion

This measure tracks the effectiveness of FII in securing external resources to deliver market development programs at the lowest possible cost to the B.C. public. The willingness of industry, the federal government and other provincial governments to contribute to market development activities

is a direct indicator of the value they place on these activities, particularly at a time of severe resource constraints.

Data to support performance measure 4.1 are sourced from FII's on-line recipient funding system, which is co-funded and managed by FII and Natural Resources Canada, and through FII's year-end financial reporting. In its recipient-funding program, FII targets annual contributions of approximately 65 per cent from other organizations; however, contributions from others vary from 0 to 85 per cent, depending on the specific activity. Contributions from individual organizations can also fluctuate considerably across fiscal years, depending on their programming priorities and budgets.

During the year, FII allocated a total of \$7.94 million to third party organizations to deliver market development activities in China, Japan, Korea and India in Asia; and the U.S. and Canada in North America. This funding from FII leveraged an additional \$19.74 million in federal and industry contributions, or 70 per cent of the total delivered recipient program. This exceeded the target set for the year. While the proportion of funds received from industry and the federal government varies by market and type of activity, FII's goal is to maintain an average of 65 per cent "other" funding in the program<sup>4</sup>.

In addition to the contributions of others to the ongoing recipient program, FII also draws other leveraged funding for its market development programming. For 2018/19, other funding included:

- \$1.880 million from Natural Resources Canada for the India market development initiative and other co-funded programs; and
- \$3.24 million from other sources, the majority of which is from the U.S.-based Softwood Lumber Board to support FII's delivery of the Think Wood initiative aimed at encouraging U.S. design professionals to adopt new wood-based building technologies.

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<sup>4</sup> The federal government does not fund activities in all markets where FII and industry are active. As a result, FII provides a higher share of overall funding in certain markets, increasing its average annual share of total program costs to just over one-third.

## Financial Report

### Discussion of Results

The following table summarizes the revenue that FII anticipated at the start of 2018/19 and the actual revenue for the year:

Source	\$ millions	
	2018/19 Budget	2018/19 Actual
The Province of British Columbia	19.61	19.68
Natural Resources Canada	.60	1.88
Other	2.60	3.24
<b>TOTAL</b>	<b>22.81</b>	<b>24.80</b>

\*The increase in other funding relates to additional funds received from the Binational Softwood Lumber Council for Think Wood Canada and the Softwood Lumber Board for the Think Wood U.S. program.

In 2018/19 FII continued to leverage substantial funds from the Government of Canada. Natural Resources Canada (NRCan) provided \$1,100,000 to support FII India, and a further \$780,000 to support other market development initiatives.

The year-over-year increase in revenue from other sources is largely attributable to the Softwood Lumber Board (SLB) contractually engaging FII to deliver the SLB's Think Wood program in the United States.

In 2018/19, the funds that FII provided to other organizations through competitive Calls for Proposals amounted to approximately 33 per cent of FII's total expenditures, with the balance used for direct service delivery by FII in Vancouver and its two subsidiaries.

During the year, FII managed the risks associated with funding and monitoring activities developed and delivered by third parties, and with initiatives delivered by FII in foreign and domestic markets. FII ended the year with a surplus of \$72,000, resulting primarily from funding provided to industry and government partners for initiatives focused on expanding wood use in B.C. and global markets which was returned as unspent.

## Resource Summary

\$ 000's Thousands of Dollars	2017/18 Actual	2018/19 Budget	2018/19 Actual	2018/19 Variance
<b>Operating Revenue</b>				
Contribution from Province	19,278	19,610	19,686	76
Contribution from the Federal Government	1,668	600	1,880	1,280
Other Income	3,280	2,600	3,237	637
<b>Total Revenue</b>	<b>24,226</b>	<b>22,810</b>	<b>24,803</b>	<b>1,993</b>
<b>Operating Expenses</b>				
Market Outreach & Initiatives	16,517	14,800	17,075	2,275
China - Market Development	2,414	2,300	2,468	168
India - Market Development	3,458	4,310	3,684	626
Corporate Support	1,487	1,400	1,504	104
<b>Total Expenses</b>	<b>23,876</b>	<b>22,810</b>	<b>24,731</b>	<b>1,921</b>
<b>Net Income from Operations</b>	<b>350</b>	<b>0</b>	<b>72</b>	<b>72</b>
<b>Capital Expenditures</b>	<b>60</b>	<b>50</b>	<b>133</b>	<b>83</b>
<b>Total Liabilities</b>	<b>3,329</b>	<b>2,378</b>	<b>3,598</b>	<b>1,220</b>
<b>Accumulated Surplus/ Retained Earnings</b>	<b>3,425</b>	<b>3,425</b>	<b>3,497</b>	<b>72</b>

**Note 1:** The above financial information was prepared based on current Generally Accepted Accounting Principles.

**Note 2:** The 2018/19 budget in the column above matches the 2018/19 budget presented in the 2018/19 – 2020/21 Service Plan, but is different than the one provided in the audited financial statements to follow. The 2018/19 budget in the audited statements is the FII Board Approved budget at the Board Meeting held Feb 8, 2018. After submission of the 2018/19 – 2020/21 Service Plan, NRCan advised FII that they would be increasing their contribution for fiscal 2018/19 from \$600K to \$1.1million. At the same time FII received information that the SLB was increasing their contribution to FII. This information was received prior to the Feb 8 Board meeting and therefore was included in the 2018/19 Budget submission to FII's Board.

## Variance and Trend Analysis

The increase in the Contribution from the Federal Government relates to additional monies received from Natural Resources Canada (NRCan): \$500,000 additional funding for the India initiative, \$319,000 for work on the shared financial management system and recipient audits, \$150,000 toward the Think Wood Canada program, \$237,000 toward the Vietnam program and \$74,000 toward other cost shared initiatives. The increase in Other Income relates to additional funds received from the

Softwood Lumber Board for the Think Wood U.S. program and from the Binational Softwood Lumber Council for the Think Wood Canada program.

Increased spending in the Market Outreach and Initiatives program came from the increased programming for the Thinkwood US program (approx. \$900,000), programming related to the new Think Wood Canada program (\$300,000), funding required to update the FII-NRCan Funding Management System (\$300,000), funding for the new Vietnam program (\$315,000) and a \$100,000 contribution to the Canada Wood Group to introduce nail-laminated timber (NLT) floor systems overseas as well as \$365,000 for other Misc. projects. FII India had a slight underspend, primarily resulting from an underspend on available demonstration projects.

## **Risks and Uncertainties**

FII funds extensive market development programming in off-shore markets, particularly in Asia. As a result, FII is subject to foreign exchange risk through its program payables and advances, and a portion of FII's program costs, which are denominated in Chinese Renminbi, Indian Rupee, U.S. dollars and other foreign currencies. While FII manages exposure to currency risk by monitoring assets and liabilities denominated in foreign currencies and by purchasing foreign denominated currency when market conditions are favourable, volatility in the value of the Canadian dollar against the U.S. dollar has increased exchange-rate risk.



*Auditor's Report*



Consolidated Financial Statements

Forestry Innovation Investment Ltd.

March 31, 2019

## Statement of Management Responsibility

### *Scope of Responsibility*

Management has supervised preparation of the accompanying consolidated financial statements and related note disclosures and is responsible for their integrity and objectivity. The consolidated financial statements of Forestry Innovation Investment Ltd. (FII) have been prepared by management in accordance with the financial reporting provisions prescribed by the Province of British Columbia pursuant to Section 23.1 of the Budget Transparency and Accountability Act (see Note 2(a)).

We believe that these consolidated financial statements present fairly FII's financial position as at March 31, 2019 and the consolidated statement of operations, change in net assets, and cash flow for the year ending March 31, 2019 and that the other information contained in the Company's annual report is consistent with the consolidated financial statements as presented.

### *Internal Controls*

Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to facilitate the preparation of the financial statements in a timely manner. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. We believe our system of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the consolidated financial statements are prevented or detected in the normal course of business.

### *Board of Directors and Audit Committee*

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's discharge of its financial reporting responsibilities. An Audit Committee is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee has reviewed these consolidated statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

### *Independent Auditors*

Grant Thornton has performed an independent audit of the consolidated financial statements of Forestry Innovation Investment Ltd. The Auditor's Report, as attached, outlines the scope of this independent audit and expresses an opinion on the financial statements of Forestry Innovation Investment Ltd.



Michael Loseth  
Chief Executive Officer

Vancouver, British Columbia  
June 5, 2019



Douglas Greig  
Vice President & CFO



## Independent Auditor's Report

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To the Board of Directors of Forestry Innovation Investment Ltd.

To the Minister of International Trade, Province of British Columbia

### Opinion

We have audited the consolidated financial statements of Forestry Innovation Investment Ltd. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management

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determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vancouver, Canada  
June 5, 2019

*Grant Thornton LLP*

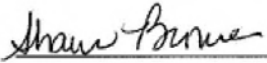
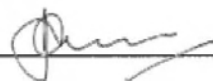
Chartered Professional Accountants



***Audited Financial Statements***

<b>Forestry Innovation Investment Ltd.</b>			
<b>Consolidated Statement of Financial Position</b>			
(in thousands of dollars)			
March 31		2019	2018
	Note		
<b>Financial assets</b>			
Cash and cash equivalents		\$ 3,523	\$ 4,031
Accounts receivable		1,377	745
Short term investments		-	201
Recipient advances	4	17	117
Due from Province of British Columbia		15	17
Due from other governments		1,044	591
Total financial assets		5,976	5,702
<b>Liabilities</b>			
Accounts payable and accrued liabilities	3	2,311	2,060
Due to Province of British Columbia		27	1
Due to other governments		148	181
Recipient payables	4	287	370
Deferred contributions	6	825	717
Total liabilities		3,598	3,329
Net financial assets		2,378	2,373
<b>Non-financial assets</b>			
Tangible capital assets	7	320	400
Prepaid expenses		799	652
Total non-financial assets		1,119	1,052
Accumulated surplus		\$ 3,497	\$ 3,425
Commitments (Note 8)			

Approved by the Board

 Director
  Director

See accompanying notes to the consolidated financial statements.

**Forestry Innovation Investment Ltd.**  
**Consolidated Statement of Operations and Accumulated Surplus**

 (in thousands of dollars)  
 Year ended March 31

		Budget	2019	2018
	<u>Note</u>			
Revenue	10			
Government contributions				
Provincial		\$ 19,610	\$ 19,686	\$ 19,278
Federal		1,100	1,880	1,668
Other revenue		2,775	3,116	3,199
Investment income		-	121	81
		<u>23,485</u>	<u>24,803</u>	<u>24,226</u>
Expenses	10			
Funding recipient initiatives		9,020	9,949	9,354
Market initiatives and outreach				
FII Vancouver		6,445	7,126	7,163
FII China		2,300	2,468	2,414
FII India		4,310	3,684	3,458
Corporate services		1,410	1,504	1,487
		<u>23,485</u>	<u>24,731</u>	<u>23,876</u>
Annual surplus		-	72	350
Accumulated surplus, beginning of year		<u>3,425</u>	<u>3,425</u>	<u>3,075</u>
Accumulated surplus, end of year		<u>\$ 3,425</u>	<u>\$ 3,497</u>	<u>\$ 3,425</u>

See accompanying notes to the consolidated financial statements.

**Forestry Innovation Investment Ltd.**

**Consolidated Statement of Changes in Net Financial Assets**

(in thousands of dollars)

Year ended March 31

	Budget	2019	2018
Annual surplus	\$ -	\$ 72	\$ 350
Acquisition of tangible capital assets	(145)	(133)	(60)
Amortization of tangible capital assets	212	212	323
Disposal of tangible capital assets	-	1	8
(Acquisition) use of prepaid expenses	(150)	(147)	19
Increase in net financial assets	(83)	5	640
Net financial assets, beginning of year	2,373	2,373	1,733
Net financial assets, end of year	\$ 2,290	\$ 2,378	\$ 2,373

See accompanying notes to the consolidated financial statements.



**Forestry Innovation Investment Ltd.**  
**Consolidated Statement of Cash Flows**

(in thousands of dollars)

Year ended March 31

2019

2018

Cash provided by (used in):

**Operating**

Annual surplus	\$	72	\$	350
Items not involving cash				
Amortization of tangible capital assets		212		323
Amortization of deferred contributions		(380)		(799)
Loss on disposal of tangible capital assets		1		8
Change in accounts receivable		(632)		(140)
Change in recipient advances		100		(110)
Change in due from Province of British Columbia		2		(1)
Change in due from other governments		(453)		(308)
Change in accounts payable and accrued liabilities		251		631
Change in due to Province of British Columbia		26		(5)
Change in due to other governments		(33)		58
Change in recipient payables		(83)		12
Change in prepaid expenses		(147)		19
		<u>(1,064)</u>		<u>38</u>

**Investing**

Acquisition of tangible capital assets		(133)		(60)
Acquisition or sale of short-term investments		201		(201)
		<u>68</u>		<u>(261)</u>

**Financing**

Receipt of deferred contributions		488		236
(Decrease) increase in cash		(508)		13
Cash, beginning of year		<u>4,031</u>		<u>4,018</u>
Cash, end of year	\$	<u>3,523</u>	\$	<u>4,031</u>

See accompanying notes to the consolidated financial statements.

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## **Forestry Innovation Investment Ltd.**

### **Notes to the Consolidated Financial Statements**

(in thousands of dollars)  
March 31, 2019

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#### **1. General**

Forestry Innovation Investment Ltd. (the "Company" or "FII Vancouver") was incorporated on March 31, 2003 under the laws of the Province of British Columbia (the "Province"). The Company has authorized capital of 100 common shares without par value of which 10 shares are issued and outstanding. Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Minister of International Trade, holds the shares issued. A board of directors governs the Company, and all directors are appointed by the Province. The Company's principal activities are to fund forest industry associations and research institutions and to deliver market development and market initiatives and outreach programs.

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#### **2. Summary of significant accounting policies**

##### **(a) Basis of presentation**

These consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia which requires accounting policies which are consistent with Canadian public sector accounting standards except in regard to the accounting for restricted capital contributions.

Under Section 23.1 of the Budget Transparency and Accountability Act and its related regulations, the Company is required to recognize restricted capital contributions as a liability and recognize them into revenue on the same basis as the related amortization expense.

Under Canadian public sector accounting standards, those transfers with stipulations that have been met or that do not contain stipulations that create a liability, are fully recognized into revenue.

The impact of this difference on the consolidated financial statements of the Company would be a decrease in deferred capital contributions as at March 31, 2019, and increases in revenues and annual surplus for the year then ended.

##### **(b) Reporting entity and basis of consolidation**

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the Company consolidated with FII Consulting (Shanghai) Co., Ltd. ("FII China"), a wholly-owned subsidiary registered under the laws of the People's Republic of China; 0939031 B.C. Ltd., a wholly-owned subsidiary registered under the laws of British Columbia; and Forestry Innovation Consulting India Pvt. Ltd. ("FII India"), a wholly-owned subsidiary of the Company and 0939031 B.C. Ltd., registered under the laws of the Republic of India.

FII China is based in Shanghai, China, and FII India is based in Mumbai, India, with both subsidiaries delivering market development programs on behalf of the Company. The subsidiaries are consolidated on a line-by-line basis after inter-organizational transactions and balances between these entities have been eliminated.

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## **Forestry Innovation Investment Ltd.**

### **Notes to the Consolidated Financial Statements**

(in thousands of dollars)  
March 31, 2019

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#### **2. Summary of significant accounting policies (continued)**

##### **(c) Revenue recognition**

Unrestricted contributions, donations and grants are recorded as revenue when receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Restricted contributions include amounts received from the Province and the Canadian Federal Government for specific purposes. Restricted contributions are recorded as deferred contributions when received or receivable. The deferred contribution and associated revenue are recognized based upon the nature of the restriction, as follows:

##### *(i) Restricted capital contributions*

Capital contributions for the purpose of acquiring or developing a depreciable tangible capital asset are recorded and referred to as deferred capital contributions. Deferred capital contributions are reduced and the associated revenue recognized at the same rate and in the same fiscal period that amortization is recognized in respect of acquired depreciable tangible capital asset used to provide services.

##### *(ii) Other restricted contributions*

Deferred contributions are reduced and the associated revenue recognized in the period during which the stipulation or restriction on the contribution have been met.

Investment income includes interest recorded on an accrual basis.

##### **(d) Program expenses**

Program expenses include amounts transferred to recipient organizations based on recipient funding contracts to carry out specific program activities. Amounts transferred are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met by the recipient, and reasonable estimates of the amounts can be made.

##### **(e) Pension plans**

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. As the assets and liabilities of the plan are not segregated by employer, the plan is accounted for as a defined contribution plan and any Company contributions to the plan are expensed as incurred.

##### **(f) Financial instruments**

Financial instruments consist of cash and cash equivalents, accounts receivable, short term investments, amounts due from the Province, amounts due from other governments, recipient advances, accounts payable and accrued liabilities, amounts due to the Province, amounts due to other governments, and recipient payables.

The Company measures its financial instruments at cost or amortized cost.

## Forestry Innovation Investment Ltd. Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2019

### 2. Summary of significant accounting policies (continued)

#### (f) Financial instruments (continued)

For financial instruments measured at cost or amortized cost, transaction costs are added to the cost of the financial instruments.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

There are no financial instruments measured at fair value; therefore, the consolidated financial statements do not include a consolidated statement of remeasurement gains and losses.

#### (g) Non-financial assets

##### (i) *Tangible capital assets*

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

<u>Asset</u>	<u>Useful life</u>
Computer equipment	3 years
Computer software	2 years
Furniture and equipment	5 years
Leasehold improvements	lesser of the lease term and its useful life
Tradeshow booths	3 years

Assets under construction are not amortized until the asset is available for productive use.

##### (ii) *Contributions of tangible capital assets*

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

##### (iii) *Interest capitalization*

The Company does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

##### (iv) *Intangible assets*

Intangible assets are not recognized in these consolidated financial statements.

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## **Forestry Innovation Investment Ltd.**

### **Notes to the Consolidated Financial Statements**

(in thousands of dollars)  
March 31, 2019

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#### **2. Summary of significant accounting policies (continued)**

##### **(h) Foreign currency translation**

These consolidated financial statements are stated in Canadian dollars. The Company's foreign operations, conducted through FII China and FII India, are considered financially interdependent with the Company, and are translated from Chinese renminbi ("RMB") and Indian rupee ("INR") using the temporal method of translation. Accordingly, monetary assets and liabilities are translated at the spot exchange rates in effect at the date of the statement of financial position; non-monetary items are translated at historical exchange rates in effect on the dates of the transactions. Revenue and expense items are translated at monthly average exchange rates in effect during the month in which the transaction occurred, except for amortization which is translated at the historical exchange rate of the corresponding non-monetary item. Realized exchange gains and losses are included in the consolidated statement of operations.

##### **(i) Budget**

Budget data presented in these consolidated financial statements are based on the Company's Service Plans. The budget was approved by the Board of Directors on April 5, 2018.

##### **(j) Use of estimates**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of tangible capital assets. Actual results could differ from those estimates.

##### **(k) Segment disclosures**

A segment is defined as a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information. The Company has provided definitions of segments used by the Company as well as presented financial information of the segments in Note 10.

##### **(l) Financial assets**

###### *(i) Cash and cash equivalents*

Cash and cash equivalents comprises cash on hand and deposits with financial institutions.

###### *(ii) Short term investments*

Short term investments include term deposits measured at cost.

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## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2019

<b>3. Accounts payable and accrued liabilities</b>	<b>2019</b>	<b>2018</b>
Trade payables	\$ 1,316	\$ 887
Accrued liabilities	995	1,173
	<b>\$ 2,311</b>	<b>\$ 2,060</b>

#### 4. Recipient advances and payables

The Company's policy on recipient funding contracts stipulates that unspent advances are repaid to the Company. Historically, unspent advances have been repaid to the Company prior to the end of the first quarter of the new fiscal year after final reconciliation reports have been submitted.

In addition, the Company withholds a percentage of earnable administration costs from their interim advances. Recipients would qualify for this final funding amount withheld based on meeting eligible reporting criteria in the recipient reporting process.

As at March 31, 2019, the Company has identified \$287 (2018 - \$370) as payable to the recipient organizations and \$17 (2018 - \$117) as receivable from the recipient organizations.

#### 5. Pension plans

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age of retirement, length of service and highest earnings averaged over five years. The board of trustees of the plan represents plan members and employers and is responsible for the management of the plan including investment of the assets and administration of the plan.

The most recent actuarial valuation for the Public Service Pension Plan as at March 31, 2017 indicated a \$1,896 million funding surplus for basic pension benefits.

The plan is accounted for as a defined contribution plan. During the year ended March 31, 2019, the Company paid \$216 (2018 - \$193) for employer contributions to the plan.

## Forestry Innovation Investment Ltd. Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2019

### 6. Deferred contributions

Deferred contributions consist of contributions received from the Province for tangible capital assets and other capital and operating contributions for which goods and services remain outstanding. Deferred contributions are comprised of the following:

	Provincial	Other	2019	2018
Balance, beginning of year	\$ 354	\$ 363	\$ 717	\$ 1,280
Contributions received during the year	145	343	488	236
Amounts amortized to revenue	(198)	(182)	(380)	(799)
Balance, end of year	\$ 301	\$ 524	\$ 825	\$ 717

Included in Provincial deferred contributions is \$11 (2018 - \$ Nil) that is unspent.

## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2019

#### 7. Tangible capital assets

##### (a) Assets in use

###### Cost

	2018	Additions	Disposals	2019
Computer equipment	\$ 694	\$ 70	\$ (2)	\$ 762
Computer software	55	-	-	55
Furniture and equipment	380	8	(8)	380
Leasehold improvements	1,114	21	-	1,135
Tradeshow booths	577	34	-	611
	<u>\$ 2,820</u>	<u>\$ 133</u>	<u>\$ (10)</u>	<u>\$ 2,943</u>

###### Accumulated amortization

	2018	Amortization	Disposals	2019
Computer equipment	\$ 563	\$ 70	\$ (1)	\$ 632
Computer software	55	-	-	55
Furniture and equipment	329	28	(8)	349
Leasehold improvements	919	102	-	1,021
Tradeshow booths	554	12	-	566
	<u>\$ 2,420</u>	<u>\$ 212</u>	<u>\$ (9)</u>	<u>\$ 2,623</u>

###### Net book value

	2018	2019
Computer equipment	\$ 131	\$ 130
Computer software	-	-
Furniture and equipment	51	31
Leasehold improvements	195	114
Tradeshow booths	23	45
	<u>\$ 400</u>	<u>\$ 320</u>

##### (b) Assets disclosed at nominal values

The cost of tangible capital assets includes the fair market value of certain assets transferred to the Company from the Province effective April 1, 2003 for one dollar. These assets are now fully amortized.



## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2019

#### 8. Commitments

(a) The Company has lease commitments for its premises it occupies.

2020	\$	1,132
2021		590
2022		562
2023		566
2024		532
Thereafter		280
	\$	<u>3,662</u>

(b) The Company also has an obligation to pay \$953 (2018 - \$1,978) for contracts entered into and not yet completed at March 31, 2019.

(c) Cash consists of an operating line of credit with HSBC Bank of Canada with maximum available credit of \$2,000,000 which incurs interest at prime plus 0.5% per annum. As of March 31, 2019, no amounts have been withdrawn through the utilization of the credit line.

#### 9. Financial instruments risk management

The Company has exposure to the following risks from its use of financial instruments:

##### Credit risk

Credit risk is the risk that the Company's counterparties default or become insolvent.

The Company is potentially exposed to credit risk through cash and cash equivalents, accounts receivable, short term investments, recipient advances, amounts due from the Province, and amounts due from other governments. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. Accounts receivable consist mainly of cost share agreements which are monitored on a regular basis. Amounts due from the Province and amounts due from other governments consist of reimbursement claims. It is the Company's opinion that its exposure to credit risk is subject to normal industry risks and is considered minimal.

As at March 31, 2019, accounts receivable, recipient advances, amounts due from the Province, and amounts due from other governments are comprised of:

	<u>Under 90 days</u>	<u>Over 90 days</u>	<u>Total</u>
Accounts receivable	\$ 1,377	\$ -	\$ 1,377
Recipient advances	17	-	17
Due from Province of British Columbia	15	-	15
Due from other governments	<u>1,044</u>	<u>-</u>	<u>1,044</u>
	<u>\$ 2,453</u>	<u>\$ -</u>	<u>\$ 2,453</u>

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**Forestry Innovation Investment Ltd.**  
**Notes to the Consolidated Financial Statements**

(in thousands of dollars)  
March 31, 2019

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**9. Financial instruments risk management (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company manages its exposure to liquidity risk by maintaining sufficient cash balances throughout the year to meet its short-term obligations. It is the Company's opinion that its exposure to liquidity risk is subject to normal industry risks and is considered minimal.

**Market risk**

Market risk is the risk that fluctuations in market prices will affect the Company's net financial assets. Market risk comprises two types of risk:

*Currency risk and foreign denominated cash*

Currency risk is the risk that fluctuations in foreign currencies will affect the Company's net financial assets denominated in foreign currencies.

The Company is subject to foreign exchange risk through its program payables and program advances and a portion of the Company's program and tradeshow costs, which are denominated in Chinese renminbi, Indian rupee and United States dollars. The Company manages its exposure to currency risk by monitoring its assets and liabilities denominated in foreign currencies and purchasing foreign denominated currency to pay upcoming commitments when the market conditions are favourable. The Company does not use derivatives instruments to reduce its exposure to foreign currency risk. Included in office costs is \$62 (2018 – \$60) foreign exchange gains.

## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2019

#### 9. Financial instruments risk management (continued)

##### Market risk (continued)

*Currency risk and foreign denominated cash (continued)*

The amounts shown are translated to Canadian dollars at the closing rate:

2019				
	USD denominated amounts in CAD	RMB denominated amounts in CAD	INR denominated amounts in CAD	CAD Total
Cash	\$ 776	\$ 369	\$ 405	\$ 1,550
Accounts receivable and due from other governments	-	-	993	993
Accounts payable	-	149	880	1,029
2018				
	USD denominated amounts in CAD	RMB denominated amounts in CAD	INR denominated amounts in CAD	CAD Total
Cash	\$ 269	\$ 235	\$ 68	\$ 572
Short term investment	-	-	201	201
Accounts receivable and due from other governments	-	2	739	741
Accounts payable	-	170	656	826

##### *Interest rate risk*

Interest rate risk is the risk that fluctuations in interest rates will affect the Company's net financial assets that bear interest at variable rates. The Company manages its exposure to interest rate risk by investing in interest bearing cash accounts.

#### 10. Segmented information

Segmented information has been identified based upon programs provided by the Company. Company programs and their activities are reported by functional area in the body of the consolidated financial statements. Programs that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

##### (a) Funding Recipient Initiatives

Uses project funding delivered through an annual "Call for Proposals" in partnership with the Government of Canada to fund forest industry associations and research institutions to:

- Maintain and create opportunities for BC wood products in existing and emerging markets;
- Ensure that customers, consumers, designers, builders, developers and architects know about BC wood products and the many positive features they bring to wood-frame construction and interior finishing;

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## Forestry Innovation Investment Ltd. Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2019

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### 10. Segmented information (continued)

#### (a) Funding Recipient Initiatives (continued)

- Support the development of innovative new forest products; and
- Provide interested parties around the world with information on the properties and qualities of BC's forest products and the BC companies that supply them.

#### (b) Market Initiatives and Outreach Program

##### (i) FII Vancouver Initiatives

Internally directs delivered programs that:

- Identify potential opportunities for BC forest products through market research and develop market access strategies;
- Ensure BC forest products have access to markets free from regulatory and other barriers through initiatives and research;
- Provide customers and foreign regulators with facts about the environmental merits of BC forest products, including the sustainable forest management regime that underlies their production;
- Research opportunities in new and emerging markets, and initiate early market exploration activities;
- Champion the Province's Wood First priorities and encourage expanded wood use in BC;
- Raise awareness of the Province as a world leader in advanced wood construction and design; and
- Encourage a robust valued-added sector in BC through enhanced capacity and competitiveness.

##### (ii) FII China Initiatives

FII China has a mandate to increase the volume and value of BC lumber exports to China by expanding the share of wood frame construction in China's building sector. FII China focuses on the following activities:

- Expanding and strengthening relationships with central and regional government agencies responsible for building and construction in China and with large state-owned developers, emphasizing the pursuit of strategic and joint initiatives;
- Building partnerships with established market leaders in China's development sector and supporting these companies in areas of concept development, planning and design, code application, and resource integration; and
- Working closely with Canadian forest industry trade association staff to expand China's technical capacity to deploy wood frame construction.

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## **Forestry Innovation Investment Ltd.**

### **Notes to the Consolidated Financial Statements**

(in thousands of dollars)  
March 31, 2019

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#### **10. Segmented information (continued)**

##### **(b) Market Initiatives and Outreach Program (continued)**

###### *(iii) FII India Initiatives*

FII India has a mandate to establish a local presence in India for BC and Canadian forest products companies; develop working relationships with government officials, regulatory agencies, and the wood user community; and position BC and Canadian forest products for future growth. The operation focuses on early-market (pre-commercial) development activities, including:

- Supporting development of the market for BC and Canadian forest products through market research;
- Promoting BC and Canadian wood species in various end-uses;
- Educating the market place on BC and Canadian wood species and their proper use;
- Providing intermediation with Indian regulatory authorities; and
- Providing direct support for BC companies entering the India market.

##### **(c) Corporate services**

Corporate services performs the following activities:

- Ensures financial reporting to government standards;
- Provides Human Resource, IT and office services to meet organizational needs;
- Oversees budget and planning controls in alignment with strategic objectives; and
- Provides corporate communication and analytical services to meet internal and external needs.

**Forestry Innovation Investment Ltd.**  
**Notes to the Consolidated Financial Statements**

 (in thousands of dollars)  
 March 31, 2019
**10. Segmented information (continued)**

	Funding Recipient Initiatives	Market Initiatives and Outreach			Corporate services	<b>2019 Total</b>	2018 Total
		FII Vancouver	FII China	FII India			
Revenues							
Government contributions							
Provincial	\$ 9,020	\$ 3,870	\$ 2,300	\$ 3,017	\$ 1,479	\$ <b>19,686</b>	\$ 19,278
Federal	474	124	-	1,282	-	<b>1,880</b>	1,668
Other revenue	-	2,853	-	254	9	<b>3,116</b>	3,199
Investment income	1	-	-	16	104	<b>121</b>	81
Total revenues	9,495	6,847	2,300	4,569	1,592	<b>24,803</b>	24,226
Expenses							
Amortization	-	-	53	84	75	<b>212</b>	323
Auditing	233	-	40	32	49	<b>354</b>	395
Grants	854	-	-	-	-	<b>854</b>	623
Office costs	35	285	247	481	197	<b>1,245</b>	1,368
Professional services	649	4,446	424	1,427	194	<b>7,140</b>	6,923
Program costs	7,892	403	200	94	(61)	<b>8,528</b>	6,163
Salaries, wages and benefits	286	1,854	1,218	1,129	912	<b>5,399</b>	5,153
Trade missions	-	13	21	54	-	<b>88</b>	45
Travel and business costs	-	125	265	383	138	<b>911</b>	883
Total expenses	9,949	7,126	2,468	3,684	1,504	<b>24,731</b>	23,876
Annual surplus (deficit)	\$ (454)	\$ (279)	\$ (168)	\$ 885	\$ 88	\$ <b>72</b>	\$ 350

## **Appendix A – Additional Information**

### ***Corporate Governance***

FII is responsible to the Minister of Jobs, Trade and Technology through a four-member Board of Directors. The Government appoints the Board to set operational policy and, in cooperation with senior management, to set strategic direction. The Board monitors FII's performance based on the Province's planning and reporting principles. The Board appoints the President and CEO and delegates responsibility to the President and CEO for the day-to-day leadership and management of the organization.

The Board incorporates best practices into its governance procedures as guided by the Best Practices Guidelines on Governance and Disclosure for Public Sector Organizations. Full details on FII's governance principles, the role and membership of the Board of Directors, as well as corporate reports and details on compliance to the requirements of the Crown Agencies and Board Resourcing Office, are available at <https://www.bcfii.ca/about-fii/governance>.

### ***Organizational Overview***

FII works with the forest industry, B.C. Government ministries, the Government of Canada, research institutions and other stakeholders to deliver forward-looking, innovative market development programs. To provide the best value for the B.C. public and stakeholders, FII uses a joint delivery model for program delivery. This approach takes advantage of industry expertise and marketing networks and ensures that program costs are shared with other organizations.

Details on the mandate of FII, its goals and values, and its location organizational structure are available at [www.bcfii.ca](http://www.bcfii.ca), as are previous Service Plans and Annual Reports. Also available on the site is additional information on FII, its programs and its partners, including an annual [Year in Review](#) that highlights accomplishments of the program in B.C. and in major markets around the world.

Comprehensive information about B.C.'s sustainable forest management practices and products is available at [www.naturallywood.com](http://www.naturallywood.com), including links to many forest product companies and trade associations.

### ***Contact Information***

For more information on Forestry Innovation Investment Ltd. contact:  
Suite 1200 – 1130 West Pender Street, Vancouver, B.C., V6E 4A4  
604-685-7507  
[info@bcfii.ca](mailto:info@bcfii.ca)  
[www.bcfii.ca](http://www.bcfii.ca)

## Appendix B – Subsidiaries and Operating Segments

### *Active Subsidiaries*

Forestry Innovation Investment Ltd. operates the following subsidiary companies:

**FII Consulting (Shanghai) Co. Ltd.** (wholly owned by Forestry Innovation Investment Ltd.)

*Primary business:* Supporting the B.C. forest industry by directing market research and leading government relations and business development, particularly with state-owned enterprises.

*Objective:* To grow the market for B.C. wood products in China, primarily by creating new demand for structural lumber and related building products.

*Governance:* Sole Executive Director: Michael Loseth, FII CEO

*Senior Management:* Guoli Liu, Senior Director, Government Relations

*Strategic Direction and Operating Environment:* The business activities and priorities of FII Consulting (Shanghai) Co. Ltd. are fully consistent with the mandate, strategic priorities and fiscal plan of FII Ltd.

*Risk Management:* FII funds its market development programming in China from Canada and, as a result, FII is subject to foreign exchange risk through its program advances to its subsidiary companies. Program costs for its subsidiaries are denominated in Chinese Renminbi. FII manages its exposure to currency risk by monitoring assets and liabilities denominated in these foreign currencies and by purchasing foreign denominated currency when market conditions are favourable. The downward trend in the value of the Canadian dollar against the U.S. dollar has increased FII's exchange rate risk as the value of the Chinese Renminbi is roughly pegged against the U.S. dollar. Consequently, increases or decreases in the value of the U.S. dollar relative to other currencies can affect the value of the Renminbi against the Canadian dollar.

### **Resource Summary – FII Consulting (Shanghai) Co. Ltd.**

\$ millions	2017/18 Actual	2018/19 Budget	2018/19 Actual
<b>Total Revenue</b>	2.41	2.30	2.47
<b>Total Expenses</b>	2.41	2.30	2.47
<b>Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)</b>	-	-	-



## ***Active Subsidiaries***

**FII Consulting India Private Limited** (jointly owned by Forestry Innovation Investment Ltd. and 0939031 B.C. Ltd.)

*Primary Business:* Supporting the development of the Indian market for B.C. forest products through market research, promoting B.C. wood products and related technologies, undertaking product trials and demonstration work, and leading communication and education outreach efforts to enhance awareness of B.C. and Canadian softwood species in India.

*Objective:* To establish a new market for B.C. wood products in India by creating demand for lumber suitable for the manufacture of furniture, doors and windows, interior millwork and other structural and non-structural products.

*Governance:* Four-member Board of Directors:

- Michael Loseth (Chair), FII President & CEO
- Douglas Greig, FII Vice President and Chief Financial Officer
- Pranesh Chhibber, FII India Country Director
- David Fisher, VP International Marketing

*Senior Management:* Pranesh Chhibber, Country Director, FII India

*Strategic Direction and Operating Environment:* The business activities and priorities of FII Consulting India Private Limited are fully consistent with the mandate, strategic priorities and fiscal plan of FII Ltd.

*Risk Management:* FII funds its market development programming in India from Canada and, as a result, FII is subject to foreign exchange risk through its program advances to its subsidiary companies. Program costs for its subsidiaries are denominated in Indian Rupees. FII manages its exposure to currency risk by monitoring assets and liabilities denominated in these foreign currencies and by purchasing foreign denominated currency when market conditions are favourable. Over the past year, the value of the Canadian dollar against the Rupee declined marginally, slightly increasing FII's exchange rate costs for India operations.

## **Resource Summary – FII Consulting India Private Limited**

\$ millions	2017/18 Actual	2018/19 Budget	2018/19 Actual
<b>Total Revenue</b>	3.46	4.31	3.68
<b>Total Expenses</b>	3.46	4.31	3.68
<b>Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)</b>	-	-	-

### ***Inactive Subsidiaries***

FII maintains a non-operating subsidiary company, **0939031B.C. Ltd.** (wholly owned by Forestry Innovation Investment Ltd.) whose sole purpose is to function as the second shareholder of FII Consulting India Private Limited (reflecting India legislation that requires foreign-owned companies to have at least two shareholders).